FEDERAL ENERGY COMMISSION MEETING

MAGNUM GAS STORAGE PROJECT

Public Scoping Meeting

Docket No. PF09-3-000

July 7, 2009 * 6:00 p.m.

Location: Juab County School District

346 E. 600. N

Nephi, Utah

Reporter: Heidi Hunter, RPR

Certified Court Reporter for the State of Utah

P R O C E E D I N G S

MS. JACAMAN: Good evening everyone. On behalf the Federal Energy Regulatory Commission, referred to as the FERC or the commission, I would like to welcome all of you here tonight.

This is the environmental scoping meeting for the Magnum Gas Storage Proposed Project, referred to as the MGS project. Let the record show that the public scoping meeting began at 6:05 p.m. on July 7, 2009. My name is Kandilarya Jacaman, and I am the FERC environmental project manager. With me also with the FERC is Doug Sipe, he is the outreach manager for FERC, and also with us Ms. Micki Bailey with the Bureau of Land Management, referred as to the BLM.

The BLM has agreed to be a cooperating agency. In a few minutes Micki will present a brief overview of their agency's role and their involvement with this project and the FERC process. The Forest Service and the School and Institutional Trust Land Administration have agreed to be cooperating agencies also and assist FERC in the preparation of our environmental assessment, EA.

There are two sign-in sheets at the

sign-in table by the entrance. One is for you to sign in, if you would like to be on the mailing list, and the other one is for you to sign in if you would like to ask questions about the process and/or state specific environmental concerns regarding the project.

If you prefer to send written comments, please pick up one of the handouts from the sign-in table, which provide instructions on how to make it easy for you to send written scoping meetings to us.

The FERC is independent agency that regulates the interstate transmission of electricity, natural gas, and oil.

FERC reviews proposals and authorizes construction of interstate natural gas pipeline, storage facilities, and liquefied natural gas, L&G terminals, as well as the licensing and inspection of hydroelectric projects.

The purpose of the commission is to protect the public and energy customers, ensuring that regulated energy companies are acting within the law.

We are located of Washington D.C. just north of the United States Capitol. FERC has up to five commissioners who are appointed by the

president of United States with the advice and consent of the Senate. Commissioners serve five year terms and have an equal vote on regulatory matters. One member of the commission is designated by the president to serve as chair and FERC's administrative head.

The current chairman is John Wellinghoff. There are three commissioners, Marc Spitzer, Suedeen Kelly and Philip Moeller. FERC has approximately 1200 employees including myself.

The FERC is a lead federal agency responsible for the National Environmental Policy Act of 1969 NEPA review of the MGS project and the lead agency for the preparation of the EA. NEPA requires FERC to analyze the potential environmental impacts resulting from construction and operation of the proposed projects, identify and consider alternatives, and prescribe mitigation measures, if possible.

This meeting is a public NEPA scoping meeting. The purpose of tonight's meeting is to provide each of you with an opportunity to give us your comments on the proposed project. We are here tonight to hear and learn from you. It will help us the most if your comments are as specific as

possible regarding the potential environmental impacts and reasonable alternatives of the proposed project.

Your comments will be used to determine what issues we need to cover in the EA. In this case, the EA would also be used by the BLM in its permitting process because a portion of the proposed pipeline route would cross BLM land. Because this evening's meeting is a formal scoping meeting held together the project scoping requirements of NEPA, the main purpose is to solicit input from the public on issues we feel should be addressed in the environmental analysis that the FERC conducts and the EA that we will prepare.

These issues generally focus on the potential for environmental effects, including economic impacts that may also address construction issues, mitigation, the environmental review process, and the need for the project.

Doug Sipe, FERC's outreach manager, will answer any questions you may have about the review process or FERC's role in the approval process. I have also asked Magnum to keep its maps out and available after the close of the formal meeting to give you the opportunity to review the maps and ask

them questions if you would like after the meeting is over.

Magnum entered into the FERC refiling process on December 22, 2008 through which began our review of the proposed project. On June 18th, 2009, FERC issued a notice of intent, NOI, to prepare a EA for this project, which was prepared -- which was published in the Federal Register on June 25th, 2009.

The issuance of the notice of intent opens the formal comment period. It is during this period that we accept comments on the project. If you are an affected landowner, you should have received the NOI by now. However if you did not receive the notice, we brought extra copies with us.

The comment period will end on July 27, 2009. However we encourage you to submit your comments as soon as possible in order to give us time to analyze and research the issues.

I would like to add that the FERC strongly encourages electronic filing of all comments. The instructions for this can be found on our website on www.ferc.gov under the e-filing link.

The handouts at the sign-in table provide additional information about electronic filing of

comments.

As I mentioned a minute ago, we began our NEPA refiling environmental review of this project. The purpose of the NEPA prefiling process is to encourage involvement by the public, government entities, and other interested stakeholders in a manner that allows for the early identification and resolution of environmental issues.

A formal application has not been filed with the FERC; however, the FERC and cooperating agency staff has already started our NEPA review. We have a handout at the sign-in table that explains the environmental review process in more detail and illustrates the various public input opportunities.

During our review of the project we will assemble information from a variety of sources including Magnum, you, the public, other state, local, and federal agencies and our own independent analysis and site reviews. We will analyze this information and prepare an EA that will be distributed to the public for comment.

If you want a copy of the EA, either paper copy or in a CD form, there are three ways to let us know. You can send a written comment to the FERC or you can sign up at the sign-in table tonight, or you

can return the mailing list retention form that was included in the notice of intent that was mailed out.

You must do one of those things to ensure that you stay on the mailing list. It is important that any comments you send include our internal docket number for the project.

The docket number is in the notice of intent and is included on the handout at the sign-in table. But let me give it to you so you can write it down. If you decide to send us a letter of comment, please put that number on it, that will ensure that I, or members of the staff evaluating the project, will get your comments.

A docket number for the Magnum Gas Storage project is PF09-3. After the EA is issued, you will have at least 30 days to review and comment on it. Let me point out that the 30 day is a NEPA requirement. We will continue to take comments until the order is issued.

After the EA is issued, your comments will be incorporated into the order. The EA is not a decision document. It is being prepared to advise the commission and disclose to the public the environmental impacts of constructing and operating

the proposed project. When it's completed, the commission will consider the environmental information from the EA along with nonenvironmental issues such as engineering, markets and rates in making its decision to approve or deny a certificate, which will be the FERC's authorization for this project.

There is no review of the FERC decision by the President or Congress maintaining FERC's independent as a regulatory agency and providing for fair and unbiased decisions. If the commission votes to approve the project and a certificate of public convenience and necessity is issued, Magnum will be required to meet certain conditions as outlined in the certificate.

Before we start taking comments from you, we've asked the BLM to provide a presentation of the BLM's process and their involvement with the FERC in the preparation of the EA. So Micki, I turn to you.

MS. BAILEY: I'll stand so people can hear me in the back.

As Kandi introduced me, my name is Micki Bailey. I'm the acting field manager for the Filmore field office BLM. I do have a couple of guests with me tonight, Glen Carpenter, as our

district manager, Clara Stevens, our realty specialist, and Matt Rylan is our NEPA planner. And Kandi has brought out a number of points that I'd like to reiterate regarding the BLM process and what our role is in the process. I plan on giving an overview of how the BLM is connected to the proposed action.

FERC is the lead agency and BLM is a cooperating agency in the process. This proposed action involves both the Filmore and Salt Lake field offices, and we'll be working side by side with the FERC in developing an EA and analysis for proposed action.

Keep in mind that an EIS may be necessary and required if the impacts are -- if the impacts to human environment are determined to be potentially significant. So I wanted to making sure that that people knew that.

The BLM portion of the proposed action is to process a right-of-way application for 60 miles of a gas pipeline, which is 100 feet wide and 36 inches in diameter. In order to do this process, we engage in the NEPA process and Kandi mentioned, that that's the National Environmental Policy Act. It requires us to look at ground disturbing activity

and the potential impact it may have on the resources.

We also look at potential mitigation so we can eliminate those impacts. We work as an interdisciplinary team. Back in the office we have any number of specialists from realty, geology, archeology, outdoor recreation, grazing, and we look to those individuals for their expertise and input on impacts or potential impacts to the resource.

We're looking at resource values. We've got cultural sites. We have threatened endangered species, soil and air and water -- air, soil, water quality. And BLM has two parts in this process. The first is to review the analysis to issue an authorization for the proposed action. The second is to issue an RMP Amendment, what that is is a resource management plan amendment.

The Pony Express Resource Management Plan within the Salt Lake field office does not currently allow for major rights-of-way to be placed outside of a designation utility corridor. And this affects only a two mile portion of the 60 miles proposed that is outside of a designated utility corridor.

The scoping is why we're here today. Public has an opportunity to bring to -- issues and

concerns to our attention for consideration analysis. You may have concerns that haven't already been considered or that we're not currently aware of and the affected public should definitely provide comments for us tonight.

With that, we go into a EA. We released the EA for public comment review. And once the document is completed, the public has an opportunity to review that for a 30-day public comment period and from there we issue decisions.

The BLM will have two decisions to issue, one for the proposed action, which is a right-of-way grant, and the second is for a plan amendment.

This is a phase process. We have a number of steps that we have to follow here in order to meet all of our obligations to the BLM process.

MS. JACAMAN: Thank you, Micki. We've also Magnum to provide a brief overview of this project. So Dave, I'll turn it to you.

MR. BABOCK: Thanks everyone for coming. My name is David Babcock. I'm the chief engineer for the Magnum Gas Storage Project, and I'm here today to give you a little bit of background on the project and answer any technical questions you might have about how the project comes together.

I'll tell you a little bit about the project. We've got a couple of questions that I'm sure you'll ask first, and one of them is what is gas storage. We'll talk a little bit about why there's a need for gas storage. Gas storage is a really important part of the natural gas supply process, and then we'll talk a little bit about the environmental and other benefits of our project, show you a picture of the header, which is also depended on some of the slides in the back, and we'll go through the schedule, a little bit of catch-up on where we've been and where we plan to go.

So here is kind of an artist rendering of what the site may look like in the future. Up on the top you see IPP facility here. This is our part of the project. We found a gas or a salt structure underneath the project site, and it's been identified as being suitable for development of gas caverns, and those gas caverns would be located approximately 4,000 feet underground and be approximately 1,000 feet tall. And this is kind of a to scale cartoon, so we tried to represent it as a -- in a perspective that people can kind of wrap their head around and also show it to scale.

So these are considerable depths underneath the ground, and there would be drill holes on top that you drill those caverns.

The gas would be brought to those caverns through the header, as a Micki talked and Kandi talked about. There would be eight gas caverns of approximately 8 billion cubic foot capacity.

We have water supply wells for cavern creation. We would have brine management ponds, those large ponds you saw on the previous drawing.

We have gas fired power generation on site to power the pumps and we have natural gas compression.

So once the gas came to the site we would compress it down into those caverns underground and that would allow it to be stored at a high pressure large volumes and released out into the marketplace.

Here's a brief schematic of the cavern creation process of -- here we drill a bore hole, typical drilling process, start circulating water through the bottom. The cavern gets bigger and bigger, and they raise up the tube in the middle here and the cavern gets taller and taller. And when it reaches the final shape, which is shown right here, they start injecting natural gas.

The natural gas displaces the water and you end up with a cavern full of natural gas. Why do we need gas storage? That's a big question. This is a picture that shows not only blue, as gas power plant, green is a wind power location. Our site is right here in the middle.

And what gas storage does is it allows for gas to be delivered when it's needed, specifically salt cavern gas storage. And what we're proposing is one of the only facilities west of Kansas. It's the only facility west of Kansas, so what we're able to do is put natural gas into the marketplace so that when the wind dies down you can have a gas power plant come up and back up that wind energy, or when the wind energy comes up and you need to turn down your gas plants you have a place to put your natural gas.

So gas storage becomes a really integral part of how gas is distributed into the marketplace. And as you can see, there's more and more gas being developed in California, in Oregon, and Washington, and there's increased demand for natural gas in those marketplaces.

What we're proposing at our facility is this high deliverability natural gas storage. And

we would be able to send into the market 500,000 cubic feet of natural gas when it's needed, and we would be able to take out of the pipelines that distribute natural gas up to 300,000 cubic feet of natural gas when it's not needed in the market.

This is the only facility west of the Rockies, as I stated, and this is not an uncommon facility. That's a very common question I get. There are more than 30 similar facilities operating throughout the United States, and those facilities have multiple caverns, just like we're proposing, so not only have caverns been created before successfully, but they've also been created as suites of caverns and networks of caverns just like we're proposing.

People hear about salt caverns all time. If you've heard about the strategic petroleum reserve, the strategic petroleum reserve is in salt caverns on the south coast of the United States, and those have been developed over many, many years of engineering and experience, and we're just tagging off of that experience of what we're doing.

The designers that put the strategic petroleum reserve together worked at Sandia National Lab, they're on our project team. This is some the

other people we've got on our team. The folks that built IPP power plant are Black and Veatch.

We've got Subsurface Engineering, they do a lot of engineering design and construction for caverns. We have Tetra Tech, who's here today. Boart Longyear, the drilling company; Wells Fargo, local bank. We're working Hansen, Allen, Luce and Nelson, they're water supply and water leach system engineering companies and our partners, Haddington Ventures.

All of these people on our team are selected based on their experience performing similar projects. I'd like to go through a few of the benefits of gas storage.

I've already mentioned, it enables wind and other renewal energy. It's there to provide gas when renewable energy, wind, solar cannot provide energy into the marketplace. It burns cleaner than coal and creates less CO *in the atmosphere.*

We've got storage providing more security, more dependability for people here in Utah. And, of course, we've got Utah energy here creating Utah jobs.

As Micki and Kandi mentioned, you've got a 61 one and a half mile header and interconnect. And

let's see, here's Nephi right here and here's the project site, this is Delta. So the pipeline comes up, goes across Highway 6 across the Gilson Mountains, up to Dog Valley. At this point it turns north and follows the existing corridor that's being used by Kearn River. They have two large pipelines there, one 36-inch diameter and one 42-inch diameter.

So we got to this alignment based on much feedback from the county councils, county commission, the local landowners. We also talked with the folks at the IPP power plant. We talked to the BLM and FERC, and we have come up with this alternative, which uses primarily BLM land, which was one of the biggest directives we've got from the counties.

Here's a brief schematic. It's also shown on one of the boards in the back. It just shows the process of trenching through pipe placement through restoration of the right-of-way, and this little graphic here in the corner shows kind of how the right-of-way is not a -- is not symmetrical.

The pipe is over on one side of that right-of-way. There's a 50-foot permanent right-of-way, the pipe would be placed in the middle

of that. Temporary right-of-way on the other side where all the machinery would operate so we would then only end up with 50 feet of permanent right-of-way and the pipe would be in the center of that.

And this just show a couple of pictures of what the land looks like out in the area. This is the IPP pipe transmission line with an access road. Up in the right hand corner is the Kearn River pump station. A little bit of a schedule, catching you up with we've gotten so far, middle of last year we started buying land and putting some leases together.

We completed a seismic survey in October of 2008, it defined to the extent of the salt volume. In December 22nd, as Kandi mentioned, we got our acceptance in the prefiling. On February 2009 we finished our salt well that we define the quality and thickness of the salt, completed that well. We're working on our water leases this month and expect to have those completed by the end of July of this year.

The FERC certificate filing, this is -- as Kandi mentioned, planning on happening in September of 2009. Construction approximately six months

after that, in March of 2010.

Construction of the facility would include two major pieces, the first would be the above ground facilities that would create the cavern and be used for compression of natural gas. The second piece of that would be the construction of the cavern. And construction of the cavern should take approximately one and a half years, so what we would be ending up with a commencing of service sometime in March of 2012. And that's all I have. Back to you Kandi.

MS. JACAMAN: Thank you. As I mentioned earlier, I would like to point out there are Magnum representatives here as well, and they have brought detailed maps of the pipeline route. You can talk to one of them and look at the maps at the end of the meeting.

We will now begin an important part of the meeting with your comments and questions. When your name is called, please step up and state and spell your name for the record, identify any agency or group you're representing, and define any acronyms you may use.

Your comments will be transcribed by a court reporter to ensure that we get an accurate

record of your comments. A transcript of this meeting will be placed in the public record at FERC so that everyone has access to the information collected here tonight.

So now can we get the list to read?

MR. SIPE: There actually isn't a list for speakers. Normally we have microphones. Tonight we don't, it's pretty small room, pretty small audience. I don't think we have to go there, but if you have a questions, would you like them to come up towards the front? If you have questions, any comments, concerns, we're here to address whatever you may have.

You may not have questions and concerns right now. This is in the scoping process, this earlier in prefiling. Magnum Gas Storage has not filed an application yet with us. But if you have any questions we're here.

Actually, if you don't want to -- if you don't want to ask any questions during the formal part of the meeting, we're going to stay a little bit afterwards too, along with Magnum. Anybody have anything?

MS. TRAUMTVEIN: My name is Murna Traumtvein representing the Nephi Times News here in Nephi. T-R-A-U-M-T-V-E-I-N.

My question is: Is all of this process safe? How safe is the storage area?

MR. SIPE: DOT actually regulates the safety, Department of Transportation, PHSMA. It's the group that regulates the safety of pipeline projects, storage facilities and wells. They work with us in developing a project, working with Magnum in developing a project.

They work with us in developing environmental analysis but that -- that agency regulates the safety.

MS. TRAUMTVEIN: As for the storage, who regulates that?

MR. SIPE: The State.

MS. TRAUMTVEIN: And you have certain safety standards that you have to meet? Is there any problem with underground storage? Could there be an explosion? Could there be a problem?

MR. SIPE: That's usually a question a press usually asks: Could there be an explosion? Typically as in for pipelines and for storage facilities and wells, it's a very safe vehicle for transporting natural gas.

If you go look at the history, and we will discuss that in the environmental assessment, the analysis that we will put out to the public, the

safety of these natural gas transmission systems and, yes, it's a safe vehicle. You're with who?

MS. TRAUMTVEIN: Nephi Times News, that's our local paper.

MR. SIPE: Anybody else?

MS JUDY EDWARDS: Judy Edwards, Utah Public Lands Policy Coordinating Office. One of the things we'd like to see and question a little bit about more with the maps is whether or not this siting area is underneath the military operations area, which the Defense Act does not allow for a facility to be built. So we'd like to look at your maps and go over whether to see whether or not to see if it's under that MOA.

MR. SIPE: Great, good comment. Magnum Gas Storage will assist with you that.

This is the part we start begging for some questions. Obviously I don't think we're going to get any more. Like I said, we will be here after the formal part of the meeting. Heidi, the court reporter, you can go home. We can stand back and look at the maps. That's what we're here for you is for you guys to ask questions. We can give you any more information on our process, we can do that.

MS. JACAMAN: On behalf FERC, I'd liked to thank you all for coming tonight. Let the record show

that the Magnum Gas Storage scoping public concluding at 6:35 p.m.

MR. SIPE: Thanks guys.

(Concluded at 6:35 p.m.)

C E R T I F I C A T E

State of Utah)
) ss.
County of Iron)

This is to hereby certify that the meeting in the foregoing FERC Meeting, was taken by me, Heidi Hunter, a Registered Professional Reporter.

That the said testimony of said witnesses was by me reported in stenotype, and therefore caused to be transcribed into typewriting, and a full and correct transcription of said testimony was taken and transcribed is set forth in the forgoing pages numbered from 1 to 24, inclusive in the foregoing annexed meeting.

I further certify that I am not kin or otherwise associated to any of the parties to the said cause of action and I am not interested in the event thereof.

WITNESS MY HAND at Cedar City, Utah, this 23rd day of July, 2009.

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Heidi Hunter, RPR